CHAPTER 2. ECONOMIC TRENDS AND OUTLOOK

MAJOR TRENDS AND OUTLOOK

Dissatisfaction with the slow pace and uneven distribution of Thailand's economic recovery played a major role in the January 2001 election victory of Thaksin Shinawatra's Thai Rak Thai Party. The government of previous Prime Minister Chuan Leekpai, under the direction of Finance Minister Tarrin Nimmanhaeminda, made significant strides in stabilizing the economy after the economic crash of 1997 and in laying down a framework to restructure the financial sector, improves bank supervision, and strengthens the legal regime supporting corporate debt restructuring. Tarrin also tried to stimulate the Thai economy, running a consolidated fiscal deficit of 5.6 percent of GDP in the 1998 fiscal year, but it was slow to respond. Real GDP bounced back from 1998's disastrous 10.8 percent decline with moderate growth of just over 4 percent in 1999 and 2000. However, exports led the recovery, and domestic demand, along with consumer confidence and other economic indicators, remained weak. Thai voters, comparing a sluggish Thai recovery with what they perceived as faster rebounds in Korea and Malaysia, opted for Thaksin's promises to reinvigorate the economy and redistribute the benefits of growth more evenly.

During the campaign, Thaksin and his economic advisors focused on a limited number of proposals, which clearly resonated with the electorate, to accomplish those objectives. Among the most prominent were proposals designed to strengthen SMEs, to carve non-performing loans (NPLs) out of commercial banks (to boost credit growth), and to restructure the rural/agricultural sector by providing debt relief for farmers and funds to villages to promote income-producing activities. While these proposals were widely criticized as expensive, Thaksin promised that closer budget scrutiny would allow his government to finance them without unduly pressuring the budget.

The Thaksin government, in office since the third week of February 2001, has won good marks for making a quick start on its economic programs. Initial steps to set up a national asset management company and to implement debt suspension for (some) farmers and cheaper health care have already been taken. Public confidence in the economy improved as the extent of Thaksin's election victory (his three-party coalition holds 339 out of 500 parliamentary seats) became apparent but has settled since. A major factor was a trade deficit in January, the first since August 1997, highlighting the economy's continued dependence on exports. In the current environment, with the economies of Thailand's major trading partners weakening, government export promotion efforts, in addition to domestic stimulus programs, will take on added importance. Whereas Thaksin was cleared in early August of charges that he falsified asset declarations while serving under a previous government, and the public seems willing to give Thaksin's government the benefit of the doubt (at least for the time being), the pressure for his economic team to deliver is clearly on. At the same time, analysts have mixed views on the likely effectiveness of the policies announced during the campaign in boosting economic growth.

Recent indicators show that Thai economic growth is likely to be weak this year, probably lower than that of the past two years, because of slowing export prospects over the near term. Macro-economic fundamentals and indicators - reserves, inflation, market interest rates, the exchange rate, and the like - remain stable, although the exchange rate is depreciating slightly, a good sign for the price competitiveness of Thai exports. Despite the election campaign's slightly more strident populist and nationalist rhetoric, the Thaksin government is unlikely to embark on programs that will significantly alter Thailand's traditional openness to foreign investment and foreign participation in its economy. The government will work to introduce its stimulation measures over the short term, which should provide at least a temporary boost to confidence and growth. However, Thaksin and his economic managers, led by new Finance Minister Somkid Jatusripitak, could improve prospects for a sustainable recovery by pursuing reforms to the legal infrastructure initiated, but not completed, by the Chuan government.

Current Conditions and Prospects

The Thai economy turned in positive performances in 1999 and 2000 with real GDP growth of 4.2 and 4.3 percent respectively, but recovery has been uneven and less robust than expected by the Thai. In particular, the domestic recovery suffered in the eyes of most Thais in comparison with the sharper rebounds in Korea and Malaysia, where growth in both 1999 and 2000 far outpaced Thailand's modest performance. Consensus GDP projections for 2001 earlier in the year were that growth was unlikely to exceed 2000's. However, given a weakening external environment, analysts and government agencies have been adjusting their projections downward to a range of 2 to 3.5 percent. Strength in domestic demand will depend on the effectiveness of the economic programs of the new Thaksin government as well as on external conditions.

Coming out of Crisis – Stabilization First

The financial crisis that struck Thailand in mid-1997 and soon spread to other economies in the region marked the end of a decade of unparalleled economic expansion, during which the Thai accustomed themselves to real GDP growth averaging nearly 10 percent annually. The economy contracted by 1.7 percent in 1997 and collapsed a further 10.8 percent in 1998. Thailand's international reserves dropped precipitously, and the local currency lost half its value. The crisis decimated the financial sector and crippled the real sector. Overall, 70 percent of Thailand's domestic financial institutions (mostly finance companies) were either shut down, taken over by the government as insolvent, or merged with other institutions; and non-performing debt climbed to 48 percent of total financial system assets. Manufacturing production declined for 17 straight months; imports collapsed; industrial capacity utilization dropped to under 50 percent; and new investment (gross fixed capital formation) plummeted by nearly half between 1996 and 1999. On the individual level, per capita GDP dropped from $3,000 in 1996 to $1,800 in 1998 (although exchange rate fluctuations magnify the apparent scale of the decline).

Former Prime Minister Chuan Leekpai (November 1997 - January 2001) and his Finance Minister Tarrin Nimmanhaeminda began stabilizing the economy and rebuilding from the crisis with the aid of a $17.2 billion IMF-led standby program that replenished foreign exchange reserves, helped halt panic-driven runs on financial institutions, firmed up the currency and brought interest rates down significantly. (That program is now completed, and Thailand began repaying the IMF in November 2000.) Much of the government's effort through the end of 1998 was targeted at the financial sector in the recognition that rebuilding the sector and resolving the non-performing debt overhang would be key to Thailand's return to growth. Their efforts led to a restructured financial sector, stronger supervision of financial institutions, and a stronger legal framework through which to pursue corporate debt restructuring.

And Then Stimulating Growth

By mid-1998 it became apparent that domestic consumption would not rebound without government fiscal stimulus programs, and Thailand, with full IMF concurrence, ran fiscal deficits averaging almost 5 percent of GDP during its 1998-2000 fiscal years. The government also announced major stimulus packages in March and August 1999 and smaller packages in 2000. Nonetheless, it was clear that exports, which grew from $53 billion in 1998 to 68 billion in 2000, were driving the recovery. Domestic consumption and even investment stabilized and advanced marginally, but failed to record gains consistent with a robust recovery.

The economy bottomed out in late 1998, and positive growth began in the first quarter of 1999. The economy recorded a 4.2 percent gain in real GDP for the year. This moderate expansion continued through 2000. For the year, real GDP grew 4.3 percent, a slight improvement over 1999.

Observers believe prospects for GDP growth in 2001 are less favorable than in 2000, and are adjusting growth forecasts downward, citing a weakening external environment as a major factor. Consensus estimates as of July are for growth in the 1.0-2.0 percent range. The United States economy took roughly 22 percent of Thailand's exports last year. The Japanese economy, another major Thai export market, remains fragile, and there are follow-on effects, especially in regional markets. Official government forecasts of 9.5 percent export growth will be revised downward significantly to reflect less favorable external developments.

New Government Promises Domestic Focus...

Dissatisfaction with the pace of the recovery was a major factor in Prime Minister Thaksin Shinawatra's election victory, and his campaign platform was heavy on programs to stimulate the economy and redistribute the benefits of growth. Thaksin criticized Chuan and Tarrin for neglecting the real economy in favor of helping the financial sector and promised his government would revive the real sector. The electorate gave Thaksin and his Thai Rak Thai Party a major victory, and his three-party coalition boasts a huge 339 to 161 advantage over Chuan's Democrats and other smaller opposition parties. Public expectations are strong that Thaksin will move forward quickly to implement his stimulus programs. Among the major elements of the Thaksin economic policy platform are:

- *Farm debt restructuring*. A three-year suspension on some debts owed by poor farmers to the state-owned Bank for Agriculture and Agricultural Cooperatives will provide the leeway for farmers to restructure their production.

- *Grants for villages.* Grants of one million baht ($23,000) to each of Thailand's roughly 70,000 villages will be administered by the community and may be used as micro loans to support new production or more productive use of local resources.

- *A national AMC*. Thaksin's economic advisors believe a national asset management company could buy most of the financial system's remaining non-performing debt (around $30 billion). This could centralize debt restructuring and make it more efficient, as well as freeing banks from constraints on their capital arising from NPLs. Thaksin’s team believes this will promote more new lending.

- *Support for SMEs.* Thaksin and his advisors believe SMEs are the heart of the Thai economy and need better support from the government to become more effective agents of economic growth and development. State-owned SME banks will be more attentive to their needs.

- *Restructuring the economy*. Thaksin's advisors hope to re-orient Thai industry away from its present heavy dependence on imported inputs and emphasize production based on local resources, particularly agriculture.

The Thaksin government has won good marks for making a quick start on its economic programs. Management for the Thai Asset Management Corporation (TAMC) has been selected, and the TAMC may be established by decree by mid-summer. Criteria for farmers’ debt suspension have been specified (and relaxed to attract more participants), and interested farmers have applied for the program. Pilot phases of the cheaper health care program (with hospital visits costing only 65 cents) have been underway since April. While the government has moved aggressively early, getting all the details right and implementing these programs worked out will require additional work, and new legislation will be needed to completely implement some. It is clear that Thaksin's government is fully cognizant of public expectations in this area.

The election results gave public confidence in the economy a measurable boost. Surveys conducted by the Thai Chamber of Commerce University in January showed that 77 percent of Thais expected the economy to prosper under Thaksin (versus only 49 percent who thought the economy was doing well or moderately well when the survey was taken). Similarly, 70 percent of those surveyed thought they would have an average or good chance of finding a job in six months, versus only 44 percent who believed their job prospects were average or good in January. The survey's overall consumer confidence index in January came in at 81.6 (with 100 being the mean), its highest level since last April, and significantly above December's 77.4. While overall public confidence has begun to slip back toward pre-election levels in the three months since Thaksin took office, some 73 percent of those surveyed in April still expected the economy to improve over the near term (six months).

...and Continued Openness to Foreign Investment

During the campaign Thaksin's advisors at times sounded nationalistic calls for resources to be controlled by Thais, for Thai corporations to receive favored treatment until they were "prepared to compete" internationally, and for reforms of bankruptcy and foreclosure procedures and international agreements to be re-examined. A speech the Prime Minister gave at a United Nations conference in Bangkok in late April, interpreted by many as calling for Thailand to turn away from trade and investment, sparked even greater concerns. However, Thaksin addressed those concerns in a major address to the Fortune Global Forum in Hong Kong two weeks later, stressing that Thailand would remain open to trade and investment and would continue liberalization trends. Bank of Thailand Governor M.R. ChatuMongol Sonakul sounded the same themes in his address at the Asian Development Bank's annual meetings.

It appears that these more nationalistic and populist sentiments can be best attributed to campaign rhetoric, and cabinet members, including Finance Minister Somkid Jatusripitak, have stated bluntly that Thailand will remain open to foreign investment and participation in its economy. Coming from a background as one of Thailand's most successful businessmen, Thaksin is fully cognizant of Thailand's need for foreign investment, and there is no reason to suspect that Thailand's traditional reputation as a "good place to invest and do business" will change under his government. (The Cabinet's May 29 decision to remove M.R. ChatuMongol Sonakul as Bank of Thailand Governor has raised concerns among foreign investors that monetary policy may change or become more subject to political interference. However, Finance Minister Somkid has assured the financial community that interest rates will continue to be determined by market developments, and the appointment of M.R. Pridiyathorn Devakula, a finance industry professional and long-time public servant, to succeed him is reassuring.)

In addition to government support, Thailand's other strengths as a destination for foreign investment remain unchanged. Its location at the center of Southeast Asia made it a natural export platform, but the domestic market continues to grow and diversify as the economy moves back toward full recovery. Transportation and communications infrastructure has improved dramatically over the recent past, and additional expansion is underway. Thailand has no real industrial policy directing investment, and successive governments -- including Thaksin's -- have committed the country to an increasingly open trade and investment regime. Investing and doing business here present challenges, to be sure, but the government appreciates the need for foreign investment. Providing an appropriate and attractive regime for foreign investment is certain to remain a central tenet of Thai economic policy.

The Economy by the Numbers

The following paragraphs highlight the Thai economy's overall performance, as well as that of important sectors, "by the numbers."

Macro-Economic Accounts and Indicators

GDP Real Gross Domestic Product (GDP) grew 4.4 percent during 2000, up slightly from 1999’s 4.2 percent. However, growth, as reflected by quarter-on-quarter figures, was particularly weak during the middle of the year, falling from 1.1 percent in the first quarter of 2000 (over 1999's fourth quarter) to 0.4 percent in the second and third quarters before rebounding to 1.0 percent in the fourth. Most sectors of the economy have turned around from 1998, when they all declined. Year-on-year, only construction and financial intermediation are still declining, although agriculture, exposed to world market price fluctuations and weather risks, were about even. In terms of sectoral contributions to GDP, the economy has seen little change in recent years. Agriculture accounts for only 10 percent of GDP, with manufacturing contributing about one-third. Services (and others) hold 54 percent, while construction now accounts for less than 3 percent. Real GDP in 2001’s first quarter climbed just 1.8 percent year-on-year and declined by 0.2 percent quarter-on-quarter, in line with weakening exports.

Inflation/interest rates. Domestic inflation has fallen significantly since 1998 when the consumer price index jumped 8 percent, largely due to the depreciation of the local currency, and deflation was a concern for much of 1999. Consumer prices increased just 1.6 percent on an annual basis in 2000. The Bank of Thailand has implemented an "inflation targeting" framework for its monetary policy, aiming to keep core inflation in the 0 to 3.5 percent range. Deposit and lending interest rates have followed inflation downward, with minimum lending rates (prime rates) now at 7.5 to 8.25 percent. Passbook rates average just 2 to 2.5 percent. The previous government consciously sought to keep both lending and deposit rates low in order to ease debt repayment costs and allow sufficient margins for banks to begin rebuilding capital. However, low deposit rates have pressured returns to savers, and state-owned commercial banks have begun to raise deposit rates slightly. While deposit rates seem likely to rise further in the second half of the year, a low overall interest rate environment is likely to persist, especially given present trends worldwide.

International reserves. The proximate cause of the 1997 financial crisis was Thailand's use of the bulk of its foreign currency reserves in an unsuccessful defense of the implicit peg for the local currency, and the IMF-led standby package was designed to replenish those reserves. By the end of 1998, total foreign currency reserves reached almost $30 billion, and have been in the $32-34 billion range since, enough to cover roughly 6.5 months of imports. Thailand began repaying the IMF in November 2000 and will begin repaying other donors to the IMF package this year. Most observers believe reserves will be sufficient to cover foreign currency requirements as long as the trade account continues in surplus. The capital account recorded a significant deficit in 2000 as the private sector paid down a total of $13 billion in foreign debt. Despite the deficit, reserves remain in the "comfortable" range. Passage of legislation initiated by the Chuan administration would improve the Bank of Thailand's ability to manage the country's international reserves.

The Government Role in the Economy

The Thai government has played a major role in setting the framework and establishing the conditions for economic recovery, particularly in the financial sector and in stimulating the economy. As noted, the government is pursuing a policy, with the support of the IMF, of stimulating the economy through deficit spending, although overall budget levels have remained fairly even. For its current fiscal year (2001, through end-September), the central government's budget calls for a deficit of $2.4 billion on expenditures of $21 billion, and the programmed deficit is likely to climb to $3.3 billion in the 2002 fiscal year.

Budgetary allocations have not changed significantly in recent years. Education claims about 25 percent of the budget, with social services and general administration taking about 10 percent each. Agriculture, transport and communications, and public health each receive about 7.5 percent of the budget. Debt service claims about 9 percent of the budget, but is slated to rise.

With the exception of state enterprises in the utilities, telecommunications, transportation, energy, tobacco and (now) commercial banking, the government does not play a major direct role in the economy. The government has an announced policy of privatizing these enterprises and approved a master plan to do so in September 1998. However, progress has been slow overall, and there is significant opposition by the workers of some enterprises to their privatization. A major exception has been the financial sector, where the government re-privatized two banks acquired during the sector's restructuring. One unit of the electricity generating utility was also successfully spun-off, but planned privatizations in telecommunications and transportation, while still scheduled for later this year, may be delayed.

International Trade

Bank of Thailand data show that Thailand's total trade climbed nearly 25 percent in 2000 to reach $130 billion. Imports increased at a faster pace than exports (31 percent versus 20 percent) bringing the trade surplus down to $5.5 billion from $8.5 billion in 1999. The surplus had reached $12 billion in 1998, the year imports collapsed. The United States is now Thailand's largest two-way trade partner, over taking Japan since the onset of the crisis. Thai exports to the U.S. increased throughout the crisis, from $10 billion in 1996 to $14.9 billion in 2000, according to Thai figures. Imports from the U.S., on the other hand, fell precipitously from $9 billion in 1996 to under $6 billion in 1998 and rose to $7.3 billion in 2000. Thailand's surplus in the bilateral trade has thus risen from $1 billion in 1996 to $7.5 billion in 2000. (Note. U.S. Department of Commerce figures differ from the Thai government's. The Department of Commerce reports that

Thailand exported $16.4 billion to the U.S. in 2000 and imported 6.6 billion, yielding a Thai surplus of $9.8 billion.)

Given the crucial role exports have played in Thailand's recovery, a deficit on the trade account in January caused significant concern. The small deficit was Thailand's first since August 1997 and was explained partially by one-time factors. However, it emphasized once again the relative weakness of the domestic economy and the consequent reliance on exports to keep the recovery on track. The deficit has already prompted the Thaksin government to pay greater public attention to export promotion activities, and it issued calls to maximize the use of local materials where possible. The trade balance returned to positive territory in February and March, but imports exceeded exports again in April. Government officials are confident the trade account will remain in surplus for the whole year. More effective export promotion -- coupled with favorable external developments -- will be necessary if exports are to approach last year's totals. Exports suffered year-on-year declines in three of the first four months of 2001, and April's export totals fell 7 percent from the same month last year.

The Financial Sector

The financial sector received considerable attention -- fully deserved -- under Chuan and Tarrin, to the extent Thaksin's campaign scored points criticizing Chuan for doing too little to help the real sector. Tarrin's approach focused largely on forcing individual banks to resolve their own NPL problems and to recapitalize on their own. (Tarrin did put in place a program to assist recapitalization, but it had strict conditions and was not widely used.) Tarrin also closed many financial institutions and oversaw the sale of two nationalized banks to foreign interests. The sector has changed significantly from the highly protected one of a decade ago and now boasts significant foreign participation and ownership of domestic institutions.

At their height (in May 1999) NPLs reached 48 percent of the assets in the financial system, and have declined slowly because banks' hesitancy to aggressively restructure bad loans and remaining weaknesses in the bankruptcy system. Movement to transfer more NPLs to private or state-owned AMCs picked up momentum from mid-2000, and NPLs stood at 17.6 percent of financial system assets (not counting NPLs held by state-owned AMCs) at the end of March. Details on Thaksin's national AMC initiative are not yet fully known, but indications are the new national AMC will have considerably enhanced powers to force both financial and corporate restructuring. (The government's decree establishing the national AMC was approved by Parliament on June 27, and it is likely to be functioning by mid-summer.)

There is significant variation between the relative strength of private sector banks and those owned by the state. All banks met full provisioning requirements as of the end of 2000, but the top-tier privately owned banks are generally judged to be in better financial health than those still owned by the government. Regardless of the improving health of the sector overall, outstanding loans continue to decline while deposits continue to climb. During 2000 outstanding commercial bank credits fell 10 percent (although much of the decline reflects repayment of offshore loans, debt write-offs and transfers of NPLs to AMCs) while deposits climbed by 5 percent and now exceed outstanding credits. While the government now discounts the possibility, some analysts are concerned that slowing growth may lead to an increase in NPLs, pressuring bank's capital once again.

The Real Sector

Thaksin argued during the campaign that Chuan paid insufficient attention to the real sector, and the data reflect the extent of the contraction induced by the crisis. In 1997 the Bank of Thailand's manufacturing production index stood at 107, with 1995 as the base year. The index dropped to 96.5 in 1998 and climbed back to 108.5 in 1999. But it managed a much smaller increase to 112 in 2000. By April 2001, it had retreated slightly to 111. The lack of growth is reflected as well by industrial capacity utilization figures. In 1997, the year the crisis struck, industrial capacity utilization averaged 65 percent. It fell to 52 percent in 1998, but climbed to 61 percent in 1999 before falling back to 57 percent on average during 2000. Capacity utilization averaged 56.5 percent in the first quarter of 2001, but dropped to 50 percent in April as exports slowed. In this situation, the demand for new credit for investment purposes is understandably weak, and most indicators of private investment remain weak, three years after the onset of the crisis.

Building a Sustainable Recovery

Thaksin and his economic advisors are confident their interventions will lead the Thai economy back to growth, although their early expectation of 5 percent real GDP growth is unlikely to be reached this year. The external environment will play a major role, and the ultimate success of Thaksin's interventions in spurring domestic growth, and in making it sustainable, is not assured. Success, of course, can only be measured by the economy's performance. A prime example is the national AMC, which the government expects will spur banks to lend more. The national AMC has been reviewed extensively, and analysts are divided. While certainly a difficult challenge, it is theoretically possible to design and manage a national AMC to take non-performing debt off the books of Thailand's banks equitably, and to efficiently restructure the debt. However, there is no assurance, in the current economic environment, that removing banks' NPLs will induce them to lend more aggressively.

There is no serious disagreement that sustainable recovery will require a healthy financial sector, basically the aim of a national AMC. The national AMC may remove from banks the capital constraints arising from NPLs, and even prompt increased lending, but these are not sufficient conditions to ensure the health of the financial sector. The Thaksin government could do much to improve prospects for Thailand's financial institutions and the sector as a whole by continuing several reforms initiated but left incomplete by Chuan and Tarrin. For instance, Chuan and Tarrin pushed through significant reforms to the bankruptcy and foreclosure regime and even set up a bankruptcy court to provide greater specialization (and speed) to the judicial process. But more could be done to ensure the process works faster and more smoothly. Passage of a new financial institutions law could provide for additional improvements in supervision and in corporate governance. Along with cleaner balance sheets, completing these measures would go a long way to strengthening the sector. Passing the new Bank of Thailand act will give the central bank the statutory independence it needs, and will also improve its ability to manage Thailand's foreign exchange reserves.

Thaksin's economic advisors criticized the previous Chuan administration for devoting insufficient resources to promoting growth and have announced they intend to rely more heavily on fiscal stimulus. Thaksin and Finance Minister Somkid have said they can fund most of their planned interventions through better use of the current budget (and of course that their interventions will be more successful in stimulating the economy). Nonetheless, there are fiscal constraints, and the implications of Thai Rak Thai economic interventions in the out-years are far from certain. (The programmed deficit in the draft fiscal year 2002 central government budget deficit will reach $3.3 billion, one-third higher than the current budget's deficit.) The Chuan government was concerned that its deficit spending, averaging 4.85 percent of GDP over the past three years, was increasing public debt to unsustainable levels. While current consolidated public debt levels, in the neighborhood of 55 percent of GDP, are not yet at those levels, prudent fiscal management would argue that they be watched carefully. Some other programs, such as the national AMC, are so large that there will certainly be fiscal implications. At some point, the increasing volume of government bonds on the market will begin to "crowd out" corporate bond issuance, restricting another avenue for the private sector to access the capital markets.

With its solid legislative position, the Thaksin government has the opportunity to pursue other significant restructuring of the economy. For example, privatizing Thailand's state-owned enterprises is one area where results do not seem commensurate with the work already done. Bold action here could yield major benefits to the efficiency of the economy as a whole, particularly in the energy and telecommunications sectors, as well as relieving the public sector of a large capital investment burden and opening additional opportunities for both Thai and foreign investors.

Medium-Term Prospects – a Quick Summary

Thailand enters 2001 under the leadership of a government with unparalleled -- for Thailand, anyway -- legislative strength, and chief economic policy makers are close and trusted aides of Prime Minister Thaksin Shinawatra. Expectations, as well as early signs, therefore point to decisive policy making on the economic front, as the government moves implement the main tenets of the Thai Rak Thai Party election platform.

While the government's parliamentary majority (and presumed ability to push through its legislative program) is a major departure, much will depend on the efficacy of Thaksin's proposals in stimulating domestic confidence and consumption, an accomplishment that evaded Chuan and Tarrin and their internationally applauded economic policies. Thailand's macro-economic fundamentals remain fairly solid: the interest rate environment, both externally and domestically, is supportive, inflation is not a factor, and monetary policy is accommodative. However, the external environment is much less supportive than it was in 2000, with the economies of major Thai export markets clearly slowing. While this places all the more importance on stimulating the domestic economy, the government is unlikely to let up on export promotion initiatives at the same time as it redoubles efforts to stimulate the domestic economy. All things considered, the economy is positioned to continue growing moderately this year -- although real GDP growth of around 2 percent is considerably more likely than the 5 percent targeted by Thaksin's advisors during the campaign.